

Regions Investment Management

State of Alabama Treasurer's Office

Prepaid Affordable College Tuition (PACT) Program

As of September 30, 2017

LeeAnn Herron, CRSP®
Vice President & Relationship Consultant
Regions Institutional Services
leeann.herron@regions.com
205-264-5752

George R. McCurdy IV, CFA
Sr. Vice President & Portfolio Manager
Regions Investment Management
george.mccurdy@regions.com
205-264-7554



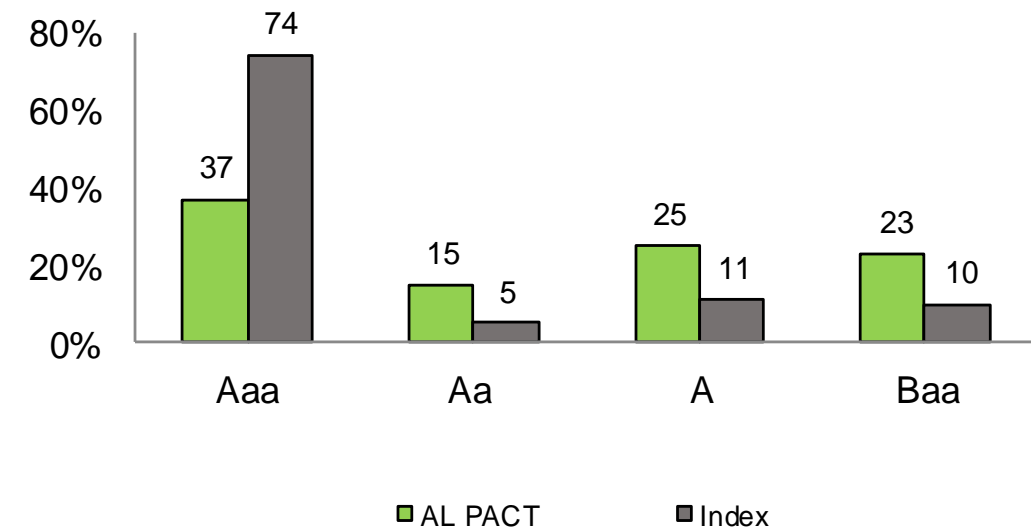
Bond Portfolio Overview

- Characteristics
- Performance
- Manager Universe
- Allocation Detail

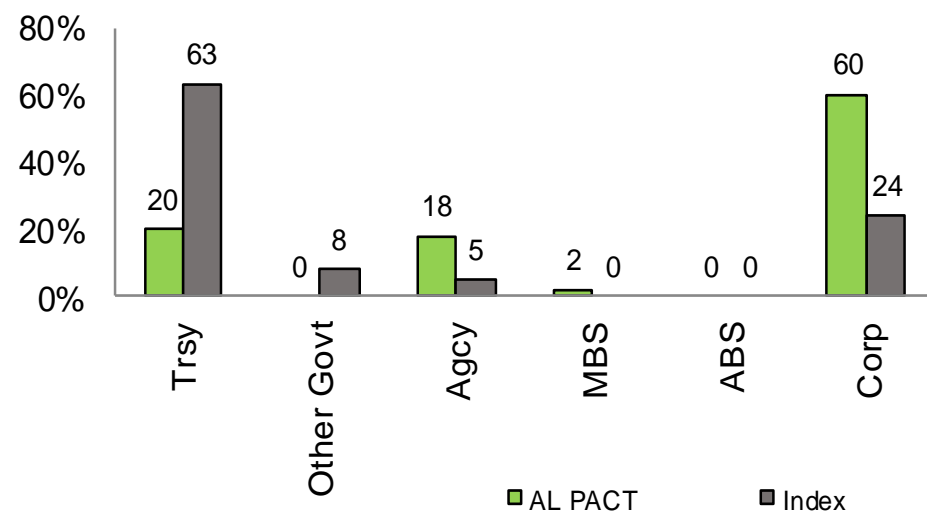
3Q17 Fixed Income Portfolio Characteristics vs. Index

	AL PACT	Index
Yield to Maturity	1.73%	1.64%
Effective Duration	1.90 Yrs	1.92 Yrs
Maturity	2.67 Yrs	1.99 Yrs
Average Coupon	2.00%	2.03%
Average Quality	Aa3	Aa1

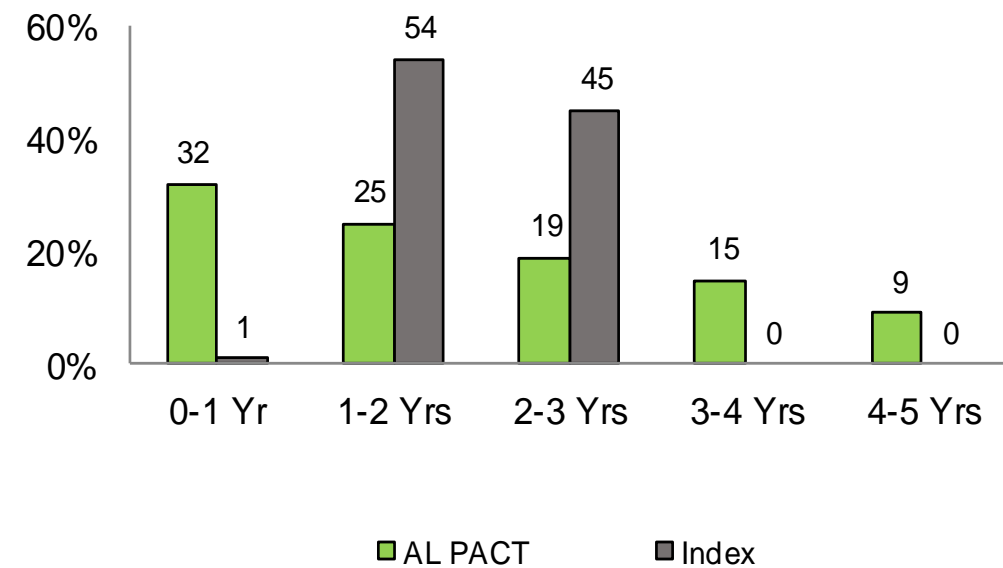
Quality vs. Index



Sector Distribution vs. Index



Duration Distribution vs. Index



Source: Portfolio: Bondedge & APX; Index: Bloomberg Barclay's 1-3 Year Govt / Credit

State of Alabama Treasurer’s Office - Prepaid Affordable College Tuition (PACT) Program

Total Returns Compared with the Benchmark

As of 09/30/2017

	Qtr	YTD	1-Yr	Inception *
AL PACT	0.43%	1.49%	1.10%	1.70%
Benchmark	0.34%	1.06%	0.66%	1.34%
<i>Excess Return</i>	<i>0.09%</i>	<i>0.43%</i>	<i>0.44%</i>	<i>0.36%</i>

Returns are shown **net of fees**;
Past performance does not guarantee future returns; *Periods greater than one year are annualized; Inception Date as of 12/31/2015

Source: eVestment Alliance & Bloomberg

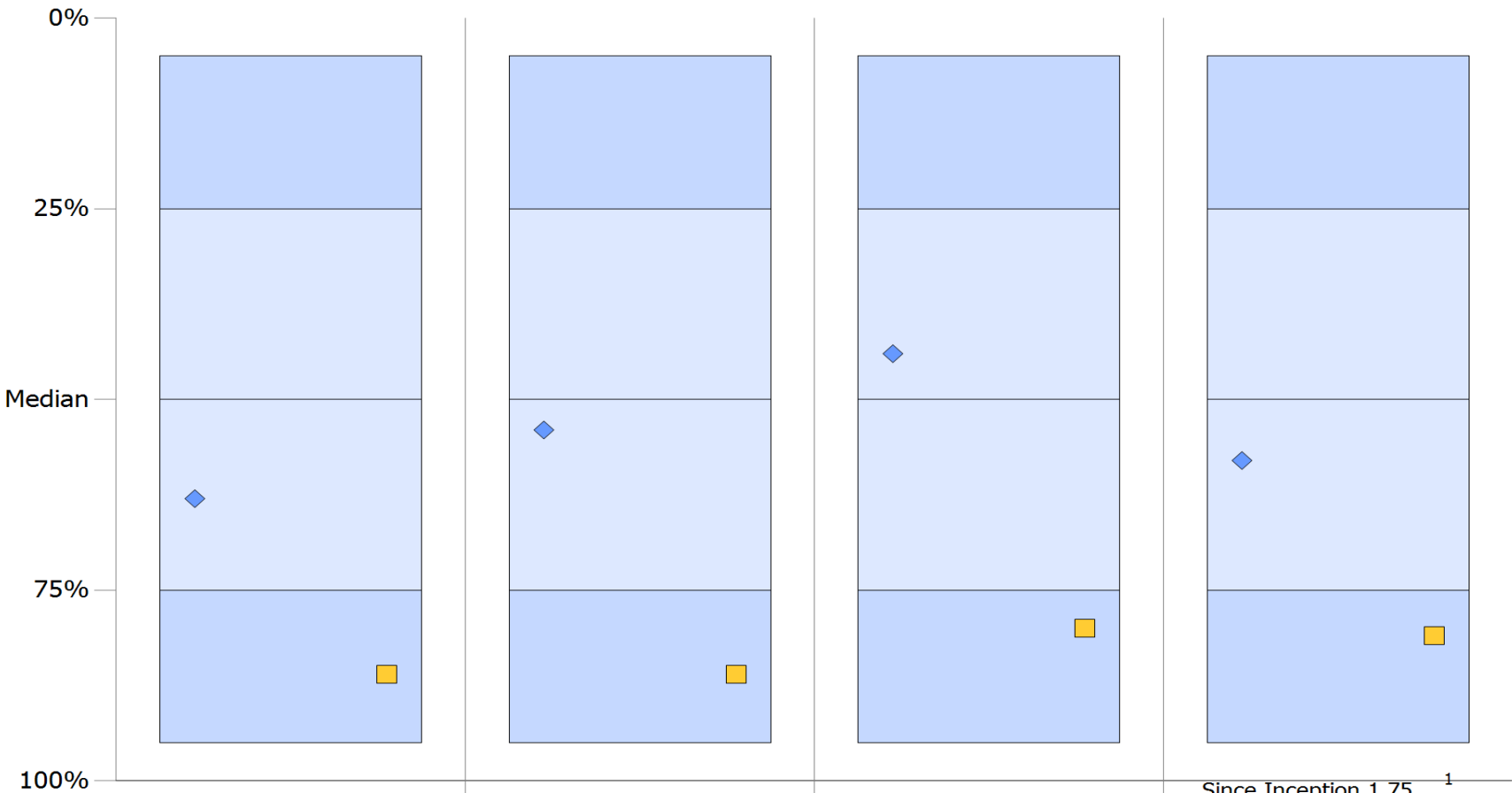
Index: Bloomberg Barclays 1-3 Year Gov/Credit

State of Alabama Treasurer's Office - Prepaid Affordable College Tuition (PACT) Program

Manager Universe Rankings

◆ RIIM: AL Pact Net of Fees
■ Bloomberg Barclays Index: Bloomberg Barclays US 1-3 Yr Govt/Credit

Returns As Of: September 30, 2017



◆ RIIM	SA	GF	0.43	63	1.49	54	1.10	44	1.70	58
■ Bloomberg Barclays Index	IX	IX	0.34	86	1.06	86	0.66	80	1.34	81

Results displayed in US Dollar (USD)

¹ 1/2016 - 9/2017

Returns are net of fees; Since Inception: 12.31.2015; Returns past 1 year are annualized
Source: eVestment Alliance
Please see important disclosure that accompanies this document

State of Alabama Treasurer's Office - Prepaid Affordable College Tuition (PACT) Program

Allocation Detail

INVESTMENT RETURN SUMMARY - QUARTER ENDING SEPTEMBER 30, 2017					
Name	Current Quarter Total Return	Prior Quarter Market Value	Net Cashflow	Investment Return	Current Quarter Market Value *
Regions (STFI)	0.51%	62,070,698.66	(\$7,713)	\$316,362	62,379,347.17
Regions Cash (CASH)	0.24%	\$10,014,908	\$6,998,749	\$40,359	\$17,054,017
Regions Lockbox (CASH)	0.00%	\$1,007,419	\$323,187	\$0	\$1,330,606
Total Portfolio		\$73,093,026	\$7,314,223	\$356,721	\$80,763,970

* The total market value of the Alabama PACT Composite portfolio does not include the cash balance of \$10,117,185.67 that was in the Treasury Account on September 30, 2017.

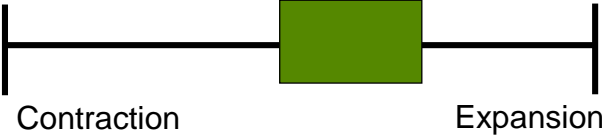
MANAGER ALLOCATION SUMMARY - QUARTER ENDING SEPTEMBER 30, 2017					
Prior Quarter Market Value	%	Fund Name	Style	Current Quarter Market Value *	%
\$227	0%	Residuals	(FIXD)	227.35	0%
\$62,070,699	85%	Regions	(STFX)	62,379,347.17	77%
\$10,014,908	14%	Regions Cash	(CASH)	17,054,016.81	21%
\$1,007,419	1%	Regions Lockbox	(CASH)	1,330,606.34	2%
\$73,093,253	100%	Composite	(TOTL)	\$80,764,198	100%

* The total market value of the Alabama PACT Composite portfolio does not include the cash balance of \$10,117,185.67 that was in the Treasury Account on September 30, 2017.

Economic & Financial Market Update

Economy

Overview & Outlook

Economy		Risks: <ul style="list-style-type: none"> ▪ Potential financial instability in China ▪ Moves to limit imports into U.S spark global trade spats, weighing on global growth ▪ Persistent oversupply of oil on global market weighs on U.S. producers ▪ Geopolitical tensions 	Opportunities: <ul style="list-style-type: none"> ▪ Labor market conditions continue to improve ▪ Rising real incomes ▪ Solid rate of house price appreciation ▪ Healthy household balance sheets ▪ Regulatory relief and expansive fiscal policy pose upside risks for U.S. growth
---------	---	--	---

U.S. Carried Positive Momentum Into Back Half Of 2017; Data To Be Distorted By

Impacts Of Hurricanes A Most Welcome Development

▪ The BEA revised their estimate of Q2 real GDP growth from 2.6 percent to 3.0 percent (annualized rates), the economy's fastest quarterly growth rate since Q1 2015. Consumer spending, business investment spending, and inventory accumulation were all revised higher relative to the initial estimates.¹

▪ While consumer spending has been a consistent support for top-line real GDP growth over the course of the current expansion, growth in business investment spending is a more recent, and most welcome, development.

▪ Real business investment in equipment and machinery grew at an annual rate of 8.8 percent in Q2, marking a third straight quarter of growth after four consecutive quarterly declines.¹ Monthly data on new orders and shipments of core capital goods suggest the momentum in business investment will be sustained over coming months.

▪ The ISM Manufacturing Index jumped to 58.8 percent in August, the highest level since April 2011 and the 12th consecutive month of expansion in the factory sector.² U.S. manufacturers are benefitting from growth in domestic and foreign demand, to the point they, and their suppliers, are having trouble keeping up. Backlogs of unfilled orders are rising, which helps account for what has been steady growth in manufacturing payrolls over recent months.

▪ The July data on personal income and spending show U.S. consumers got off to a solid start in Q3. Underpinned by a healthy gain in labor earnings, total personal income rose 0.4 percent in July, while

August Employment Report Riddled With Noise, Underlying Trend Healthy

▪ Over the past several years the August employment report has followed a similar pattern – a weak initial estimate of job growth that in subsequent months has been revised significantly higher. The August 2017 employment checks that first box, with the initial estimate of 156,000 net new payroll jobs³ falling short of expectations. Moreover, prior estimates for job growth in June and July was revised down by a net 51,000 jobs for the two-month period, average hourly earnings rose by just 0.1 percent, average weekly hours fell to 34.4 hours, and the unemployment rate rose to 4.4 percent.³

▪ One ongoing issue with the August employment report in any given year is a notably low initial response rate to the BLS's establishment survey; this August the initial response rate was just 70.0 percent, the lowest for any month to date in 2017 and below the average rate for the month of August.³ A low response rate biases the initial estimate of job growth lower, but over subsequent months more responses come in and the BLS revises estimates for August job growth accordingly, in recent years significantly higher.

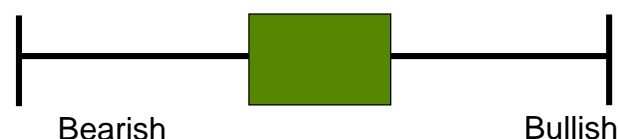
▪ This August also saw an early end to the survey week (the survey week ended prior to the middle of the month). Historically, early survey weeks have biased initial estimates of job growth and growth in average hourly earnings.

▪ In short, the August employment report was more noise than signal and offered a misleadingly weak snapshot of the labor market. But, even if

Fixed Income

Overview & Outlook

Fixed Income



Risks:

- Uncertainty over global central bank policies lead to heightened volatility in the financial markets
- Inflation expectations rise significantly on improved U.S. growth outlook
- Larger U.S. government budget deficits mean substantial increase in issuance of Treasury debt, putting upward pressure on interest rates

Opportunities:

- Post-Brexit uncertainty sustains a flight to safety, pushing U.S. yields lower
- Less lift to growth and inflation from changes to regulatory and fiscal policy results in less upward pressure on long-term interest rates than anticipated
- Absence of significant increase in inflation pressures enables FOMC to continue normalizing Fed funds rate at a gradual pace

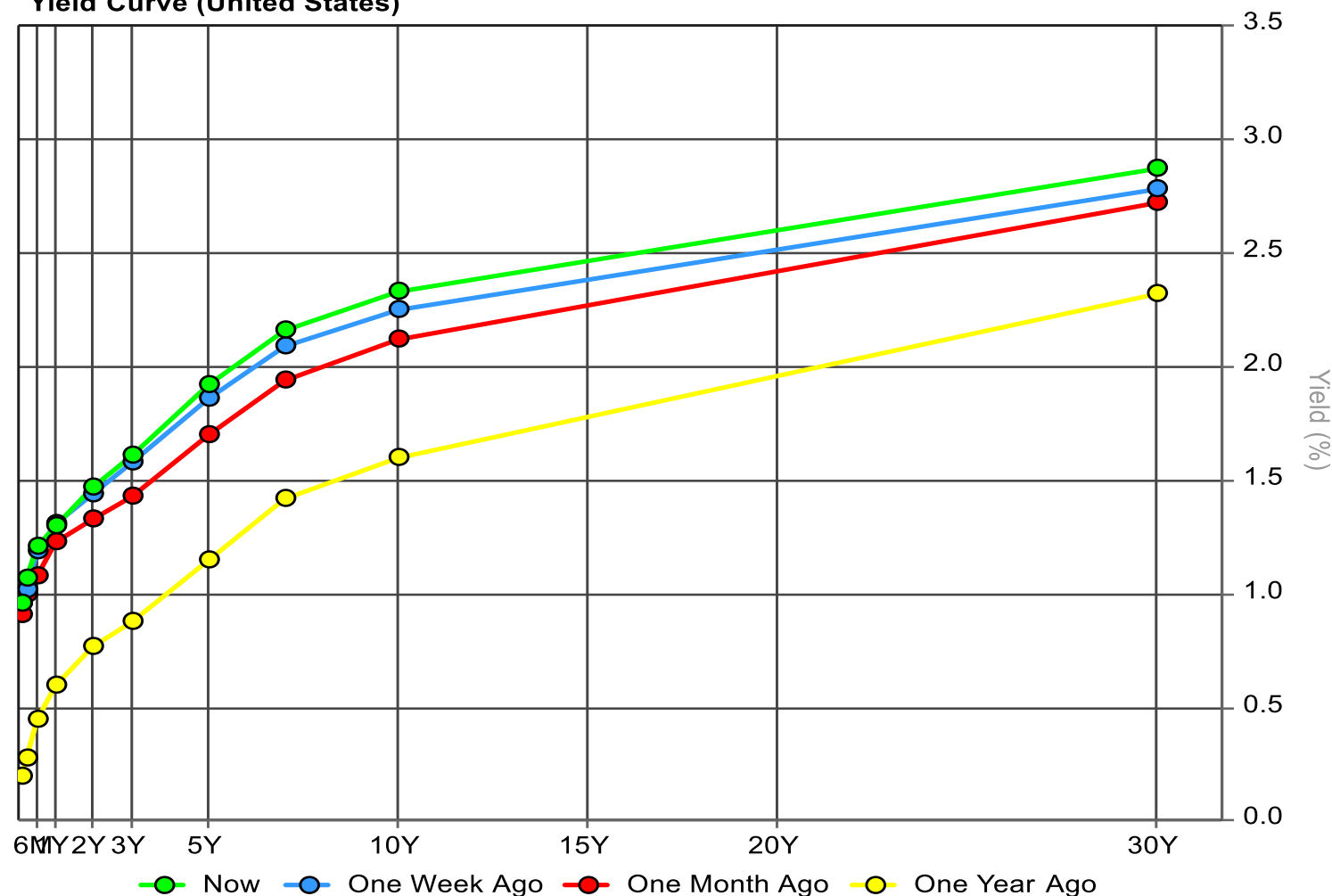
Yields as of September 30, 2017

US Treasuries

3-month	1.06%
2-year	1.46%
5-year	1.92%
10-year	2.33%
30-year	2.87%
CPI All Items (12-Month % Change)	1.90%
Barclays US Agg Option-Adjusted Spread	0.36bps
BofA Merrill Lynch US High Yield Master II Option-Adjusted Spread	354bps
Barclays US Aggregate	2.55%
Barclays Global Agg ex USD	0.82%
BofA Merrill Lynch US High Yield Master II	3.69%
Barclays US Tsy US TIPS	1.96%

Source: FactSet, Bureau of Labor Statistics

Yield Curve (United States)

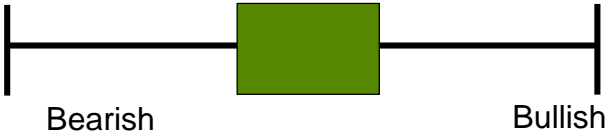


Sources © Tullett Prebon Information, *SWX Swiss Exchange

Source: FactSet

Equities

Overview & Outlook

Equities		Risks: <ul style="list-style-type: none"> ▪ Geopolitical risks ▪ Mixed international growth picture ▪ Stock market run getting "long-in-the-tooth" ▪ Federal Reserve timeline for raising interest rates unsettles markets ▪ Rising dollar impact on earnings of large multinationals ▪ Oil and commodity prices face renewed selling pressure 	Opportunities: <ul style="list-style-type: none"> ▪ Growth in private domestic demand in U.S. remains solid ▪ Eurozone economy begins to respond to policy accommodation ▪ Large domestic market looked at as a safe haven ▪ Emerging markets benefit from firming global growth ▪ Strengthening dollar and economy positive for SMID

Sector Total Return	YTD 9/30/2017	2016	2015	2014	2013
Materials	15.82%	15.90%	-8.38%	6.91%	25.60%
Financials	12.48%	21.67%	-1.56%	15.18%	35.59%
Energy	-6.73%	27.25%	-21.12%	-7.79%	25.05%
Industrials	14.14%	18.42%	-2.56%	9.80%	40.64%
Information Technology	27.27%	13.85%	5.92%	20.11%	28.43%
Consumer Discretionary	11.93%	6.10%	10.06%	9.68%	43.08%
Health Care	20.19%	-2.51%	6.89%	25.34%	41.46%
Telecommunications	-4.69%	23.49%	3.40%	2.99%	11.47%
Consumer Staples	6.54%	5.39%	6.60%	15.98%	26.14%
Utilities	11.61%	16.37%	-4.88%	28.98%	13.21%
Real Estate	7.39%	3.67%	N/A	N/A	N/A

Source: FactSet

Market Returns

	YTD As of 9/30/17	Trailing 3 Months 9/30/17	2016	2015	2014	2013	2012	2011
Equities								
S&P 500 Index (Large Cap Stocks)	14.24%	4.48%	11.96%	1.38%	13.69%	32.39%	16.00%	2.11%
S&P 500 (Large Cap Growth)	19.33%	5.29%	6.89%	5.52%	14.89%	32.75%	14.61%	4.69%
S&P 500 (Large Cap Value)	8.49%	3.48%	17.40%	-3.13%	12.36%	31.99%	17.68%	-0.48%
Russell 2000 Index (Small Cap Stocks)	10.94%	5.67%	21.31%	-4.41%	4.89%	38.82%	16.35%	-4.17%
Russell 2500 Index (Small to Mid Cap Stocks)	11.00%	4.74%	17.59%	-2.90%	7.07%	36.80%	17.88%	-2.75%
Russell Mid Cap TR USD	11.74%	3.47%	13.80%	-2.44%	13.22%	34.76%	17.28%	-1.55%
MSCI EAFE Index (Foreign Stocks)	19.96%	5.40%	1.00%	-0.81%	-4.90%	22.78%	17.32%	-12.14%
MSCI ACWI Ex-US (Foreign Stocks)	21.13%	6.16%	4.50%	-5.66%	-3.87%	15.29%	16.83%	-13.10%
MSCI EM (Foreign Stocks)	27.78%	7.89%	11.19%	-14.92%	-2.19%	-2.60%	18.22%	-18.42%
Fixed Income								
Barclays US Agg Bond TR USD (Bonds)	3.14%	0.85%	2.65%	0.55%	5.97%	-2.02%	4.22%	7.84%
BofA Merrill Lynch Muni 1-12 YR (Muni Bonds)	3.54%	0.79%	0.02%	2.34%	4.27%	-0.12%	3.40%	6.76%
91 Day T-Bill Index (Money Market)	0.56%	0.26%	0.33%	0.05%	0.03%	0.05%	0.11%	0.11%
Barclays Global Agg Ex USD TR	8.74%	2.48%	1.49%	0.36%	-3.08%	-3.08%	4.09%	4.36%
Barclays High Yield Corp TR USD	7.00%	1.98%	17.13%	-8.30%	2.45%	7.44%	15.81%	4.98%
Barclays US Treasury US TIPS	1.72%	0.86%	4.68%	-1.44%	3.64%	-8.61%	6.98%	13.56%
Diversified Strategies								
HFRX Global Hedge Index	3.81%	1.44%	2.50%	-3.64%	-0.58%	6.72%	3.51%	-8.87%

Source: Morningstar

Important Disclosures

This material and all accompanying documents are provided is for the sole use of the individual(s) it is presented to. Performance results contained in this presentation reflect trading in your account(s). The returns are calculated using a third party vendor, Investment Scorecard. Factors impacting the returns include individual client risk tolerance, restrictions a client may place on the account, investment objectives, choice of broker/dealers or custodians, as well as other factors. Your account(s) performance may differ from that of other clients due to, among other things, commission, timing of order entry, or the manner in which the trades were executed.

Performance presented is gross of fees. Performance figures include reinvestment of dividends and other earnings. Fees would reduce the actual performance results. For example, a portfolio which earned 7% per annum for ten years would result in a cumulative return of 100.16% before investment management fees and 72.68% net of such fees, assuming a 37.5 basis point (0.375%) fee per quarter. The fee schedule is described in your investment management contract. Performance results do not reflect the impact of taxes. Some strategies may involve above average turnover which could negatively impact any net after tax gain experienced within a taxable account. Clients are encouraged to seek the advice of a tax professional.

Past performance is not a guarantee of future results. Current performance may be lower or higher than the performance data presented. The investment return and principle value of an investment will fluctuate so that, when redeemed, it may be worth more or less than the original value. It should not be assumed that recommendations made in the future will be profitable or will equal the performance of the securities presented herein. Neither the information nor any opinion expressed constitutes a solicitation for the purchase or sale of any security.

Trust and investment management services are offered through Regions Wealth Management, a business unit of Regions Bank.

Investment advisory services are offered through Regions Investment Management, Inc. (“RIM”), a Registered Investment Adviser. RIM is a wholly owned subsidiary of Regions Bank, which in turn, is a wholly owned subsidiary of Regions Financial Corporation. Additional information regarding RIM is set forth in RIM’s current Form ADV Part 2A, a copy of which is available upon request at 205-264-6735.

Neither Regions Bank, nor Regions Institutional Services (collectively, “Regions”) nor the Regions Bank subsidiary, Regions Investment Management, Inc. (RIM), are registered municipal advisors, nor provide advice to municipal entities or obligated persons with respect to municipal financial products or the issuance of municipal securities (including regarding the structure, timing, terms and similar matters concerning municipal financial products or municipal securities issuances) or engage in the solicitation of municipal entities or obligated persons for such services. With respect to this presentation and any other information, materials or communications provided by Regions or RIM, (a) Regions and RIM are not recommending an action to any municipal entity or obligated person, (b) Regions and RIM are not acting as an advisor to any municipal entity or obligated person and do not owe a fiduciary duty pursuant to Section 15B of the Securities Exchange Act of 1934 to any municipal entity or obligated person with respect to such presentation, information, materials or communications, (c) Regions and RIM are acting for their own interests, and (d) you should discuss this presentation and any such other information, materials or communications with any and all internal and external advisors and experts that you deem appropriate before acting on this presentation or any such other information, materials or communications.

Investment, Insurance and Annuity Products		
Are Not FDIC-Insured	Are Not Bank Guaranteed	May Lose Value
Are Not Deposits	Are Not Insured by Any Federal Government Agency	Are Not a Condition of Any Banking Activity